

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Periodic Reporting
(Proposal One)

Docket No. RM2020-6

ORDER ON ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSAL ONE)

(Issued May 19, 2020)

I. INTRODUCTION

On February 28, 2020, the Postal Service filed a petition pursuant to 39 C.F.R. § 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to periodic reports.¹ Proposal One would change the revenue, pieces, and weight (RPW) reporting methodology “for measuring the national totals of non-contract mailpieces in domestic parcel mail

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), February 28, 2020 (Petition). The Postal Service filed a notice of filing of non-public materials relating to Proposal One. See Notice of Filing of USPS-RM2020-6/NP1 and Application for Nonpublic Treatment, February 28, 2020.

categories bearing PC Postage indicia from postage evidencing systems” by replacing statistical sampling estimates with corresponding census transactional data. Petition, Proposal One at 1. For the reasons discussed below, the Commission approves Proposal One.

II. PROCEDURAL HISTORY

On March 3, 2020, the Commission issued a notice establishing this proceeding, inviting comments on Proposal One, and appointing a Public Representative.² To clarify the Postal Service’s Petition, Chairman’s Information Request No. 1 was issued on April 9, 2020.³ The Postal Service responded to CHIR No. 1 on April 16, 2020.⁴

III. BACKGROUND

Proposal One would change the RPW reporting methodology “for measuring the national totals of non-contract mailpieces in domestic parcel mail categories bearing PC Postage indicia from postage evidencing systems.” Petition, Proposal One at 1. Proposal One would replace the current RPW methodology (Origin-Destination Information System – Revenue, Pieces, and Weight (ODIS-RPW) statistical sampling estimates) with corresponding census transactional data. *Id.* The Postal Service states that approving Proposal One would add another important census source to the RPW reporting system and complement the PC Postage Negotiated Service Agreement census transactional data, which are already included in the RPW reporting system. *Id.* The Postal Service lists several dockets in which the Commission has approved replacing statistical estimates with census data. *Id.* at 1-2.

² Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal One), March 3, 2020 (Order No. 5445).

³ Chairman’s Information Request No. 1, April 9, 2020 (CHIR No. 1).

⁴ Responses of the United States Postal Service to Questions 1-3 of Chairman’s Information Request No. 1, April 16, 2020 (Response to CHIR No. 1).

Mailers may pay for and print postage using PC Postage, a third-party vendor software approved by the Postal Service. *Id.* at 2. The Postal Service explains that customers use postage evidencing systems, which consist of postage meters and PC Postage products, to print evidence that required postage has been paid. *Id.* To indicate postage payment, postage evidencing systems print information-based indicia (IBI), which mailers place directly on a mailpiece or a label affixed to a mailpiece. *Id.* The National Meter Account Tracking System (NMATS) records PC Postage payment transactions. *Id.*

The Postal Service runs an Automated Package Verification (APV) system that uses barcode data, in-line scales, and dimensional scanners on parcel sorters to compare PC Postage transaction information with packages run through the APV. *Id.* Based on this comparison, the Postal Service either charges customers' accounts for underpaid mailpieces or credits postage for overpaid mailpieces. *Id.*

IV. PROPOSAL ONE

Proposal One "would switch reporting of PC Postage domestic parcel mail categories from sample data provided by the ODIS-RPW sampling system to corresponding census data provided by PC Postage transactional data housed in NMATS." *Id.* at 4. Under the current RPW methodology, "ODIS-RPW data collectors record a PC Postage mailpiece as IBI and indicate the specific PC Postage manufacturer." *Id.* at 3. The Postal Service describes several limitations with the current methodology. *Id.* at 4. ODIS-RPW is a statistical sampling system producing point estimates with sampling error, and ODIS-RPW tests may cause unintended errors in mail sampling and in recording data elements observed. *Id.* ODIS-RPW is unable to report on or adjust for underpaid and overpaid mail. *Id.* By contrast, the proposed methodology uses census information that is not subject to sampling error. *Id.* Thus, the Postal Service expects the proposed methodology would produce equal or improved data quality. *Id.*

The Postal Service proposes to replace the ODIS-RPW sampling system (current methodology) with corresponding census transactional data (proposed methodology) no earlier than FY 2020, Quarter 3 to allow for full implementation of changes to the APV system that became effective on April 1, 2020. *Id.* at 4-5. It states that the proposed methodology “provides a complete census source of transactional-level data for PC Postage domestic mailpieces and makes appropriate APV adjustments at the record level.” *Id.* at 5. These data will be used to create the revenue and volume characteristics necessary for RPW reporting. *Id.* The Postal Service anticipates that as new data for PC Postage mailers becomes available in the future, those census data will be incorporated into RPW reporting as well. *Id.*

To demonstrate the impact of the proposed methodology, the Postal Service submitted a report comparing FY 2019 RPW results using both the current methodology and proposed methodology.⁵ This report shows differences by major mail category if the proposed methodology replaced the current methodology in FY 2019. *Id.* at 6. For First-Class Package Service as well as Media and Library Mail, both revenue and volume would have increased. *Id.* For USPS Retail Ground and Priority Mail, both revenue and volume would have decreased. *Id.* Total mail volume would have increased by 0.1 percent, total pounds would have increased by 0.3 percent, and total revenue would have remained unchanged because the RPW report is tied to the Accounting Trial Balance. *Id.*

The Postal Service explains that the differences in the report “are mainly due to differences in manual data collection (current methodology) compared to postage payment data (proposed methodology).” *Id.* It notes that the differences in the report would not have been as large if the APV system were fully implemented at the beginning of FY 2019. *Id.*

⁵ *Id.* at 5; see *id.* Attachment A. The Postal Service separately filed under seal as Library Reference USPS-RM2020-6/NP1, a non-public version of Attachment A that disaggregates data pertaining to Competitive products. Petition, Proposal One at 5 n.1.

The Postal Service concludes that the proposed methodology change “will result in the improved reporting of PC Postage non-contract revenue and volume both in terms of the level and measures of precision.” *Id.* at 7. It adds that the proposed methodology change “will also allow for more granularity in the underlying report data.” *Id.*

V. COMMENTS

The Commission received comments from the Public Representative.⁶ No other interested person filed comments. The Public Representative supports Proposal One and recommends that the Commission approve it. PR Comments at 5. She states that the proposed changes improve the accuracy of the data used to report revenue, pieces, and weight quarterly in the RPW report. *Id.* at 4. She “finds that the Postal Service’s proposal to switch from ODIS-RPW sampling system data to corresponding census data will help avoid estimation sampling errors that result from limitations in the current system.” *Id.* She notes that the “Total All” Revenue is unchanged, and the sum equals the total Trial Balance revenue. *Id.* She concludes that the proposed changes will continue to improve the quality of RPW reporting and are consistent with changes approved by the Commission in prior dockets. *Id.*

VI. COMMISSION ANALYSIS

The Commission evaluates proposed changes to analytical principles to ensure that they “improve the quality, accuracy, or completeness of the data or analysis of data” contained in the Postal Service’s periodic reports. 39 C.F.R. § 3050.11(a). After reviewing the Petition, Proposal One, the supporting documents, the Response to CHIR No. 1, and the Public Representative’s comments, the Commission finds that the proposed changes that replace the ODIS-RPW statistical sampling estimates with corresponding census transactional data would improve the quality, accuracy, and

⁶ Public Representative Comments, April 2, 2020 (PR Comments).

completeness of the Postal Service's RPW reporting methodology. Accordingly, the Commission approves Proposal One.

Absent available data from the Postal Service's revenue accounting system or postage statements, the Postal Service currently uses sampling by the ODIS-RPW sampling system to estimate revenue and volume reported in the RPW. This method misclassifies mailpieces incorrectly packaged or labeled, which results in estimates subject to sampling error. Petition, Proposal One at 6. Because of this, the Commission has previously approved the Postal Service's expanded usage of census data to improve precision in the reporting of revenues, pieces, and weights.⁷

Because the proposed system is based on transactional data, the validity of the transactional data is critical. In a CHIR response, the Postal Service states that only 5.9 percent of packages using PC Postage indicia bypass the APV. Response to CHIR No. 1, question 1. Revenue for these packages is recorded in the RPW as part of the true-up process for miscellaneous revenue in the General Ledger. *Id.*, question 3. Because over 94 percent of packages using PC Postage indicia would be measured, the percent of packages requiring manual verification that may be subject to human error is reduced.

The largest impact of the proposed methodology is to First-Class Package Service revenue and volume, which increase 4.1 percent and 5.3 percent respectively, and to Priority Mail revenue and volume, which decrease 3.4 percent and 5.1 percent respectively. The Postal Service notes that this impact is caused by misclassified mailpieces resulting from manual data collection, which would be minimized by the APV

⁷ See Docket No. RM2014-4, Order on Analytical Principles Used in Periodic Reporting (Proposals One Through Two), June 25, 2014 (Order No. 2101); Docket No. RM2015-15, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Six), September 28, 2015 (Order No. 2732); Docket No. RM2016-1, Order on Analytical Principles Used in Periodic Reporting (Proposal Eleven), December 18, 2015 (Order No. 2901); Docket No. RM2016-7, Order Approving Analytical Principles Used in Periodic Reporting (Proposal One), June 17, 2016 (Order No. 3377); Docket No. RM2017-5, Order on Analytical Principles Used in Periodic Reporting (Proposal One), August 15, 2017 (Order No. 4039); Docket No. RM2017-7, Order on Analytical Principles Used in Periodic Reporting (Proposal Three), August 24, 2017 (Order No. 4066); Docket No. RM2019-11, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Six), October 22, 2019 (Order No. 5280).

capturing and adjusting over 94 percent of these pieces. Response to CHIR No. 1, question 1.

The Postal Service proposes to use PC Postage payment transactions recorded in the NMATS and verified by the APV. Through this process the APV identifies misclassified mailpieces, re-rates them, and sends the discrepancies to NMATS for adjustment to customer accounts for underpaid or overpaid amounts. This transactional level recording of revenue will likely reduce the amount of collected revenue added as a summary adjustment to the RPW report.

For these reasons, the Commission finds that Proposal One would provide more accurate reporting and recording of volume and revenue and improve the quality of the data with the potential for fewer true-ups to the RPW resulting from fewer end of period manual adjustments for these mailpieces. Additionally, the incorporation of census data sources and census data adjustments at the transactional level will improve the completeness of data reported for noncontract domestic parcels using PC postage because it captures granular data at the product level.

VII. ORDERING PARAGRAPH

It is ordered:

For purposes of periodic reporting to the Commission, the changes in analytical principles proposed by the Postal Service in Proposal One are approved.

By the Commission.

Erica A. Barker
Secretary